Nuvo Pharmaceuticals™ Announces 2019 Third Quarter Results

• Third Quarter Adjusted Total Revenue - $18.9 million and $55.1 million year-to-date •

• Third Quarter Adjusted EBITDA - $7.8 million and $18.7 million year-to-date •

• Third Quarter Gross Profit - $11.3 million and $30.0 million year-to date •

Nuvo to Host Conference Call/Audio Webcast October 31st at 8:30 a.m. ET

Mississauga, Ontario, Canada – October 31, 2019 – Nuvo Pharmaceuticals Inc. (Nuvo or the Company) (TSX:NRI; OTCQX:NRIFF), a Canadian focused, healthcare company with global reach and a diversified portfolio of commercial products, today announced its financial and operational results for the three and nine months ended September 30, 2019. For further details on the results, please refer to Nuvo's Management, Discussion and Analysis (MD&A) and Condensed Consolidated Interim Financial Statements which are available on the Company's website (www.nuvopharmaceuticals.com). All figures are in Canadian dollars, unless otherwise noted.

Third Quarter Financial Summary

- Adjusted total revenue[(1)] was $18.9 million for the three months ended September 30, 2019 compared to $5.1 million for the three months ended September 30, 2018.
- Adjusted EBITDA[(1)] was $7.8 million for the three months ended September 30, 2019 compared to $(1.3) million for the three months ended September 30, 2018.
- Gross profit on total revenue was $11.3 million or 60% for the three months ended September 30, 2019 compared to a gross profit of $2.9 million or 57% for the three months ended September 30, 2018.
- Cash and short-term investments were $18.5 million as at September 30, 2019 compared to $28.1 million as at December 31, 2018. The decrease was primarily related to the settlement of transaction costs and indebtedness acquired by Nuvo upon close of the Aralez Transaction. In November 2019, the Company will make a US$2.5 million payment towards its Bridge Loan.

(1) Non-International Financial Reporting Standards (IFRS) financial measure defined by the Company below.

Third Quarter and 2019 Business Update

- Canadian prescriptions of Blexten® increased by 56% for the three months ended September 30, 2019 compared to the three months ended September 30, 2018.
- Canadian prescriptions of Cambia® increased by 30% for the three months ended September 30, 2019 compared to the three months ended September 30, 2018.
- In October 2019, the United States Court of Appeals for the Federal Circuit (Court of Appeals) issued a ruling affirming the New Jersey court's decision upholding the validity of a certain claim of U.S. Patent No. 9,066,913 (the '913 Patent) which covers Pennsaid 2%. Pursuant to this decision, but subject to any appeal rights, Actavis Laboratories UT, Inc., formerly known as Watson Laboratories, Inc., Actavis, Inc. and Actavis

plc (collectively Actavis) is blocked from launching its generic version of Pennsaid 2% in the United States until the '913 Patent expires on October 17, 2027. Nuvo is the exclusive manufacturer of Pennsaid 2% for our licensing partner, who owns the Pennsaid 2% intellectual property (IP) rights in the U.S.

- In September 2019, the Company received notice from Sayre Therapeutics PVT Ltd. (Sayre Therapeutics), that the Drug Controller General of India had approved the sale of Pennsaid 2% in India. Sayre Therapeutics has the exclusive rights to distribute, market and sell Pennsaid 2% in India, Sri Lanka, Bangladesh and Nepal. The Company anticipates the commercial launch of Pennsaid 2% in India during the first quarter of 2020.

- On July 30, 2019, the Court of Appeals denied the *en banc* request to the Court of Appeals to have the court reconsider the May 2019 decision involving U.S. Patent Nos. 6,926,907 (the '907 Patent) and 8,557,285 (the '285 Patent) which cover Vimovo. However, U.S. Patents Nos. 8,858,996 and 9,161,920 were unaffected by the Court of Appeals decision and remain valid and enforceable. A generic version of Vimovo did not launch in the U.S. during the three months ended September 30, 2019. As a result, the Company has accrued $1.7 million of license revenue related to its U.S. Vimovo royalty stream for the three months ended September 30, 2019. The Company anticipates that a generic version of Vimovo could launch in the U.S. during the fourth quarter of 2019. Nuvo and its U.S. partner will continue to consider every possible legal strategy to protect Vimovo's market exclusivity in the U.S.

- In June 2019, the Company announced its intention to reduce annual operating expenses by approximately $7.0 million due to synergies identified and organizational changes implemented. The Company began to realize these synergies during the three months ended September 30, 2019.

"Our third quarter financial performance was in-line with our expectations, with Blexten and Cambia maintaining strong year-over-year growth. In spite of the July 30, 2019 U.S. Court of Appeals decision that found that two of our Vimovo patents were invalid, we continue to enjoy market exclusivity in the U.S. and to receive the benefit of the U.S. Vimovo royalty stream. We have additional patents that were unaffected by this decision that remain valid and enforceable, which means any generic company launching a generic would do so "at risk" of having to later pay patent infringement damages should our additional patents survive validity challenges in pending patent infringement proceedings," said Jesse Ledger, Nuvo's President & CEO. "We made advances in our pipeline with Pennsaid 2% receiving approval in India in the third quarter with the commercial launch anticipated early in 2020. The marketing authorization applications for Pennsaid 2% in Europe and Suvexx in Canada have moved beyond the initial screening phase and are now in full review with the respective government agencies. Finally, we are committed to reducing Nuvo's financial leverage and will make a US$2.5 million payment on our Deerfield loans in November."

Third Quarter 2019 Financial Results

Total revenue is comprised of product sales, license revenue and contract revenue. Total revenue was $18.8 million for the three months ended September 30, 2019 compared to $5.1 million for the three months ended September 30, 2018. The significant increase in total revenue for the current three and nine-month periods was primarily attributable to the addition of revenue as a result of the Aralez Transaction. Total revenue for the nine months ended September 30, 2019 was $50.0 million compared to $15.4 million for the comparative nine-month period.

Adjusted total revenue increased to $18.9 million for the three months ended September 30, 2019 compared to $5.1 million for the three months ended September 30, 2018. The $13.8 million increase in adjusted total revenue in the current quarter was primarily attributable to the addition of revenue related to the Aralez Transaction, which provided an incremental $9.6 million of total revenue contributed from the Commercial Business segment and $4.0 million attributable to the Vimovo royalties related to earned Vimovo royalties. Adjusted total revenue increased to $55.1 million for the nine months ended September 30, 2019 compared to $15.7 for the nine months ended September 30, 2018.

Adjusted EBITDA increased to $7.8 million for the three months ended September 30, 2019 compared to $(1.3) million for the three months ended September 30, 2018. The increase in adjusted EBITDA for the current quarter was primarily attributable to the increase in gross profit as a result of the Aralez Transaction, as well as a reduction in general and administrative (G&A) expenses of $0.9 million, partially offset by an increase in sales and marketing of $2.0 million. Adjusted EBITDA increased to $18.7 million for the nine months ended September 30, 2019 compared to $1.4 million for the nine months ended September 30, 2018.

Gross profit on total revenue was $11.3 million or 60% for the three months ended September 30, 2019 compared to a gross profit of $2.9 million or 57% for the three months ended September 30, 2018. The increase in gross profit for the current quarter was primarily attributable to an increase in gross margin on product sales and an increase in license revenue as a result of the Aralez Transaction. Gross profit on total revenue was $30.0 million or 60% for the nine months ended September 30, 2019 compared to a gross profit of $9.0 million or 58% for the nine months ended September 30, 2018.

Non-IFRS Financial Measures

The Company discloses non-IFRS measures (such as adjusted total revenue, adjusted EBITDA and adjusted EBITDA per share) that do not have standardized meanings prescribed by IFRS. The Company believes that shareholders, investment analysts and other readers find such measures helpful in understanding the Company's financial performance and in interpreting the effect of the Aralez Transaction and the Deerfield Financing on the Company. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other companies.

Adjusted Total Revenue

The Company defines adjusted total revenue as total revenue, plus amounts billed to customers for existing contract assets, less revenue recognized upon recognition of a contract asset. Management believes adjusted total revenue is a useful supplemental measure from which to determine the Company's ability to generate cash from its customer contracts that is used to fund its operations.

The following is a summary of how adjusted total revenue is calculated:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
in thousands	**$**	$	**$**	$
Total revenue	**18,823**	5,085	**49,953**	15,391
Add:				
Amounts billed to customers for existing contract assets	**66**	47	**5,127**	296
Adjusted total revenue	**18,889**	5,132	**55,080**	15,687

Adjusted EBITDA

EBITDA refers to net income (loss) determined in accordance with IFRS, before depreciation and amortization, net interest expense (income) and income tax expense (recovery). The Company defines adjusted EBITDA as net income before net interest expense (income), depreciation and amortization and income tax expense (recovery) (EBITDA), plus amounts billed to customers for existing contract assets, inventory step-up expense, stock-based compensation expense, Other Expenses (Income), less revenue recognized upon recognition of a contract asset and other income. Management believes adjusted EBITDA is a useful supplemental measure from which to determine the Company's ability to generate cash available for working capital, capital expenditures, debt repayments, interest expense and income taxes.

The following is a summary of how EBITDA and adjusted EBITDA are calculated:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
in thousands	**$**	$	**$**	$
Net income (loss)	**4,425**	(2,407)	**3,817**	(1,522)
Add back:				
Income tax expense (recovery)	**(151)**	5	**(1)**	(123)
Net interest expense (income)	**3,166**	(7)	**7,163**	(37)
Depreciation and amortization	**2,349**	635	**7,234**	1,860
EBITDA	**9,789**	(1,774)	**18,213**	178
Add back:				
Amounts billed to customers for existing contract assets	**66**	47	**5,127**	296
Stock-based compensation	**112**	150	**343**	611
Inventory step-up expense	**1,580**	-	**4,104**	-
Other Expenses (Income):		-		-
Change in fair value of derivative liabilities	**(3,890)**	-	**(31,471)**	-
Change in fair value of contingent and variable consideration	**(205)**	89	**(640)**	257
Contract asset impairment	**-**	-	**23,621**	-
Other losses (gains)	**131**	-	**892**	-
Foreign currency loss (gain)	**201**	212	**(1,517)**	49
Adjusted EBITDA	**7,784**	(1,276)	**18,672**	1,391

Management to Host Conference Call/Webcast
Management will host a conference call to discuss the results today (Thursday, October 31, 2019) at 8:30 a.m. ET. To participate in the conference call, please dial 1 888 390 0546 or 416 764 8688. Please call in 15 minutes prior to the call to secure a line. You will be put on hold until the conference call begins.

A taped replay of the conference call will be available two hours after the live conference call and will be accessible until midnight on November 7, 2019 by calling 1 888 390 0541 or 416 764 8677 playback passcode 072242#.

A live audio webcast of the conference call will be available through www.nuvopharmaceuticals.com. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to hear the webcast.

About Nuvo Pharmaceuticals Inc.
Nuvo (TSX: NRI; OTCQX: NRIFF) is a Canadian focused, healthcare company with global reach and a diversified portfolio of commercial products. The Company targets several therapeutic areas, including pain, allergy and dermatology. The Company's strategy is to in-license and acquire growth-oriented, complementary products for Canadian and international markets and to out-license select products in global markets. Nuvo's head office is located in Mississauga, Ontario, Canada, the international operations are located in Dublin, Ireland and its manufacturing facility is located in Varennes, Québec, Canada. The Varennes facility operates in a Good Manufacturing Practices (GMP) environment respecting the U.S, Canada and E.U. GMP regulations and is regularly inspected by Health Canada and the U.S. Food and Drug Administration. For additional information, please visit www.nuvopharmaceuticals.com.

FOR MORE INFORMATION, PLEASE CONTACT:

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Forward-Looking Statements

This press release contains "forward-looking information" as defined under Canadian securities laws (collectively, "forward-looking statements"). The words "plans", "expects", "does not expect", "goals", "seek", "strategy", "future", "estimates", "intends", "anticipates", "does not anticipate", "projected", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "should", "might", "likely", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking statements.

Forward-looking statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. Such forward-looking statements are qualified in their entirety by the inherent risks, uncertainties and changes in circumstances surrounding future expectations which are difficult to predict and many of which are beyond the control of the Company. Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the Company as of the date of this press release, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Material factors and assumptions used to develop the forward-looking statements, and material risk factors that could cause actual results to differ materially from the forward-looking statements, include but are not limited to, the validity of the '907 and '285 Patents claims, the outcome of ongoing patent litigation and other factors, many of which are beyond the control of Nuvo. Additional factors that could cause Nuvo's actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the risk factors included in Nuvo's most recent Annual Information Form dated March 28, 2019 under the heading "Risks Factors", and as described from time to time in the reports and disclosure documents filed by Nuvo with Canadian securities regulatory agencies and commissions. These and other factors should be considered carefully and readers should not place undue reliance on Nuvo's forward-looking statements. When relying on forward-looking statements to make decisions, the Company cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved.

All forward-looking statements are based only on information currently available to the Company and are made as of the date of this press release. Except as expressly required by applicable Canadian securities law, the Company assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this press release are qualified by these cautionary statements.